

- **Belmont Warrant Committee Meeting Minutes**

- **FINAL**

- **February 16, 2011, 7:30 p.m.**

- **Chenery Community Room**

- Present: Chair Allison; Members Becker, Bruschi, Callanan, Dash, Epstein, Lynch, Manjikian, McHugh, Millane, Sarno, Smith; BOS member Firenze; School Committee Chair Rittenburg

- Town Administrator Younger and Town Accountant Hagg

- Members Absent: Grob and Libenson

- The meeting was called to order at 7:37 pm by Chair Allison.

- Chair Allison began by turning to the first item on the evening's agenda. She noted that Town retirement costs for FY2012 are projected to grow at over 12% and will be approximately \$5.1M. Thus this is a very significant issue for the Town.

- ***Retirement Board (RB) Presentation***

- Chair Allison welcomed the members of the Retirement Board and invited them to the table. Tom Gibson, Vice Chair of the Retirement Board (RB), began the presentation with introductions of the RB members.

- Mr. Gibson: Belmont has its own retirement system and it is administered by the RB, which consists of five members. The retirement plan is part of state law: Chapter 32 of the General Laws. The state legislature needs to authorize any changes made to the plan. The duties of the RB are to manage the Retirement System in Belmont. PERAC (Public Employee Retirement Administration Commission) provides oversight to the RB. He reviewed the numbers of active and retired employees. The average benefit is \$24,300. (This number could be skewed, he said, by a member or two receiving a six-figure pension). He then reviewed the assets and the investments of the retirement fund.

- Retirement assets are from three sources: employee contributions, government appropriations, and investment returns. He reviewed the employee contribution percentages. He reviewed, in detail, the five types of retirement: superannuation, termination, ordinary disability, accidental disability, and accidental death allowance.

- Regular Compensation relates to the retirement calculation. It is "the base salary or other base compensation of an employee paid to that employee for employment by an employer." It mentioned areas that are now excluded: houses, tax annuities, sick-time, overtime, etc. There are offsets based on hours and income earned in the public sector after retirement; there are no offsets against private sector income. PERAC reviews this information yearly.

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- Mr. Gibson reported that there are legislative changes on the horizon. He reviewed some of the recently enacted legislative changes (Chapter 21 of the Acts of 2009 and Chapters 131 & 188 of the Acts of 2010). He explained the “pension capping” law change for new members.

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- Chair Allison noted that there are specific questions that the WC has put forth, including the area of “COLA” raises for retirees, given that there was no inflation and that social security (SS) recipients did not receive an increase. The WC, she said, would like to know the justification for this increase. Mr. Gibson said that it is not 3% on the whole salary, only on the first \$12K. He said the RB is not bound by what SS chooses to do. The Legislature makes the 3% “COLA” increase on first \$12K a local option. The Belmont RB has chosen to give a COLA increase every year regardless of the rate of inflation and has built that into the required funding. Selectman Firenze said it was not a COLA then, it’s an automatic increase. Mr. Gibson said that health plan changes (increases for retirees) impacted the decision to give the 3% increase. The people making these decisions, said Selectman Firenze, all receive the COLA increase, and thus would ordinarily be considered to have a conflict in making this decision. Mr. Gibson said that the state ethics commission ruled that this was appropriate to do.

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- Member Epstein asked about the unfunded liability. Mr. Gibson replied that, as of January 2010, \$60M was the identified unfunded liability and the assets of the fund were \$63M. Epstein asked when will the gap be closed? The answer: in 15 years. There is an actuarial report, the WC was told, that discusses this in detail.

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- Chair Allison asked about the 7.75% rate of return: how did this number get decided on? Mr. Moseley said that there was much consultation, as well as actuarial analysis, on what the rate of return should be. Member Epstein said that there is a 50% shortfall in the system and yet there is an assumption that in 15 years that the gap will be closed. This seems optimistic, Epstein said. Member Smith asked about the funding of this liability – when? Pre 1988?

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- Chair Allison asked about investment returns and associated investment expenses. Mr. Moseley noted that Belmont is paying out more per year than there are contributions coming in. He reviewed the investments, funds, private equity, and assets, as well as the fees. He noted advisor fees and administrative expenses.

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- Chair Allison asked if the investment returns shown were net of fees. Mr. Scot Driscoll, from New England Pension Consultants (NEPC), responded that only the returns on assets invested within the state system were on a net basis.

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- Mr. Scott Driscoll, from New England Pension Consultants (NEPC) reviewed the fees in more detail.

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- ***Minuteman Follow-up***  
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- Chair Allison noted that, while the Minuteman presentation at the February 9 meeting of the WC was comprehensive, there remain several followup questions. The WC reviewed a draft letter to Superintendent Bouquillon regarding these followup questions. Member Becker said that Ms. Lamica had provided a detailed explanation of the formula to the Minuteman Study Group, and that a similar presentation might help the WC to understand it better. Member Becker said that the idea of non-member towns becoming members needs to be emphasized. Member Callanan added, however, that that is a very long-term process. Chair Allison said that fixed costs, semi-variable, and variable costs may need to be explained further.

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### ***Review of Draft 2010 WC Report for Annual Town Report***

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- The WC reviewed a draft of the submission for the Town Annual Report. Member Dash suggested that the WC's CPA report should be included.

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### ***FY12 Budget Discussion***

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- Chair Allison asked if the departments had received the subcommittee questions. (The general WC response was that yes, initial subcommittee questions had been provided to departments.) She noted that the WC report will include an executive summary, and led a discussion of what should be featured in this preface/summary. She noted that it will need "big budget numbers," also major results from subcommittee reports, and a reflection on the fiscal state of the town. Member McHugh suggested adding a discussion of cross-departmental issues. Member Sarno suggested including commentary on the town's cost drivers across the board. Member Epstein noted that a high level summary of the budget as a whole (to see compensation and benefit expenses) might be useful. Member Callanan suggested that the WC's rationale for moving to the programmatic approach be included.

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- The WC then discussed the format for disseminating some of this information, e.g., charts vs. prose.

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- Chair Allison asked about adding an appendix providing one-page "backgrounders" on Proposition 2→ and other key contextual matters. The WC thought this was an excellent idea.

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- Chair Allison noted that on March 9, the subcommittees will owe department heads an initial draft of their report.

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### ***Approval of Minutes for 2/9/2011***

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- The minutes of 2/9/2011 were approved with two abstentions.

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### ***Wrap-up/Adjournment***

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- Member McHugh moved to adjourn at 9:19 pm.
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- Member McHugh provided the meeting summary.
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- Submitted by Lisa Gibalerio
- WC Recording Secretary
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